



# **DELAWARE DEPARTMENT OF FINANCE**

## **Strategic Plan**

**For Fiscal Year 2007**



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## **ABOUT THE AGENCY**

### **Richard S. Cordrey - Secretary**

The Delaware Department of Finance's mission is to provide leadership in securing, creating, allocating and managing financial resources critical to the delivery of governmental services and promotion of Delaware's economic health.

The Cabinet Secretary of Finance is the state's Chief Financial Officer and is the central source for economic and fiscal policy and management of financial resources. The Office of the Secretary provides economic data, revenue and legislative analyses and public information services. The office also provides the three operating divisions with managerial and technical support in achieving department-wide goals.

The Office of the Secretary provides management and oversight of General Obligation debt and overall coordination and management of all debt of the state and state authorities. In addition, the office builds the foundation for the state's General Fund budget process by providing the analysis and forecasting of revenues in support of the Delaware Economic and Financial Advisory Council (DEFAC).

#### **Division of Accounting**

The mission of the division is to provide expert financial and technical accounting services for the State of Delaware, delivering central support to state organizations as well as consistent and reliable financial information to the public.

In fulfillment of its mission, the division's ongoing initiatives have increased the efficiency of the state's financial processes and continue to enhance the availability of information to its customers. The division is committed to reaching these goals through the application of technology. The division continuously works to eliminate obsolete, paper-based processes in favor of more efficient electronic alternatives.

The division continues to complement the PHRST system and will provide financial expertise for the planning and development of a statewide financials Enterprise Resource Planning (ERP). The first three phases of the web-based application for the administration of the SuperCard program have been implemented and provide the ability to monitor credit card purchases online and

to access on-line reports. This program enhances the statewide purchasing function by providing better controls and increasing the potential for future rebate savings. In addition, software has been implemented to provide on-line access to financial reports and ad hoc capabilities for management analysis throughout the state. These are examples of how the division is proactively engaging state organizations and adopting "best practices" in financial reporting.

For the fiscal year ended June 30, 2004, the division issued the state's CAFR in full compliance with Governmental Accounting Standards Board (GASB) Statements 34 and 35, which more closely align governmental financial statements with the ones found in private industry. The division again received the Certificate of Achievement for Excellence in Financial Reporting from the GFOA for Fiscal Year 2004. This marks the tenth consecutive year Delaware has been recognized by GFOA.

### **Division of Revenue**

As the primary revenue collector for the State, the division's mission is to collect 100 percent of the taxes and other revenues required by law, no more and no less, and to do so in a manner that creates the highest possible level of satisfaction on the part of the public with the division's competence, courtesy, effectiveness and efficiency.

Revenue revolves around three activities: tax processing, tax enforcement and policy formulation. Tax processing involves receiving documents and remittances, depositing remittances, entering/capturing data from returns, validating the taxpayer's determination of tax, refunding overpayments and assuring proper accounting (including internal controls) and reporting of these transactions.

Each year, the division processes over 425,000 personal and 600,000 business tax returns and issues more than 280,000 tax refunds. In addition, the division's computer staff is responsible for the design and administration of some of the most sophisticated and technically-advanced processing and imaging systems in the state. Delaware has been a national leader in applying technology to tax administration.

Tax enforcement includes examinations and audits (i.e., determinations of tax) and collection of delinquent accounts. The division's enforcement responsibilities encompass 15 different revenue sources, including the state's personal and corporate income taxes, gross receipts tax and realty transfer tax.

The division has focused on improving the quality of service to the customers. One initiative is the Quality Service Mailbox, which allows callers to leave comments for the division.

Electronic filing of income tax returns has continued to expand statewide. The division received over 168,000 electronically filed personal tax returns in Fiscal

Year 2004 (compared to 144,000, 101,000, and 44,000 personal tax returns in Fiscal Years 2003, 2001, 1999, respectively). The division projects that it will receive 185,000 personal tax returns electronically in Fiscal Year 2005, which will represent approximately 43 percent of all Personal Income Tax returns filed. These returns do not require manual intervention in the form of sorting, data entry or return validation.

The division has aggressively pursued the method of filing personal tax returns in a digital format, consisting of Internet filing, electronic software filing, and bar-coded paper filing. Digital returns reduce mail and data entry processing and as a result improve the refund issuance process and decrease seasonal and operating expenses. Since implementation after Fiscal Year 1995, the number of digitally-filed returns has increased from zero in Fiscal Year 1995 to 270,000 in Fiscal Year 2004. At the same time, the number of seasonal employees hired to process tax returns has dropped from over 100 to around 65.

### **State Lottery Office**

The mission of this agency is to maximize revenue contributions to the state's General Fund, thereby helping to fund the delivery of governmental services to the people of Delaware:

- Through the marketing, sale and distribution of innovative, entertaining and secure lottery products that ensure the public's confidence in the integrity of the games, retailers, agents and lottery operations; and
- By providing leadership and a corporate culture that encourages productive change leading to improvement in every aspect of the business.

For the eighth consecutive year, Delaware's Video Lottery was the most profitable operation of its kind in the country, generating more net proceeds per capita (\$665) than in any other state as total net proceeds from all three racetracks topped the one-half-billion mark for the fourth year in a row. In addition, while Fiscal Year 2004 saw Delaware expand its intra-state progressive video lottery gaming between the racetracks, new legislation made possible Delaware's participation in multi-state progressive video lottery games. Under the auspices of the Multi-State Lottery Association, Delaware has been asked to take the lead in this effort and chair a committee of currently eligible participating states (Delaware, Rhode Island and West Virginia) to develop a super wide area progressive network. The network is expected to be in place by the end of Fiscal Year 2005.

From the traditional lottery side, the Delaware Lottery continued its successful and very popular line of licensed property instant games, including "Betty Boop" and "Tabasco." Fiscal Year 2004 was also a good year for the Lottery's award winning website, delottery.com, as membership in its Player's Club grew to over

3,000 in just its third year of existence. Visitor traffic to the site continues to be among the highest of all State of Delaware operated websites.

Customer service remained an on-going focus for the Lottery in Fiscal Year 2004. Self service "Check-a-Ticket" stations were installed in more than 100 retailer locations throughout the state, enabling Lottery customers to check their tickets for winning combinations without having to interact with store personnel. These units were well received by both players and retailers and the Lottery plans to more than double the number currently in place.

In Fiscal Year 2004, the Delaware Lottery earned its fifth consecutive Certificate of Achievement for Excellence in Financial Reporting awarded by the Government Finance Officers Association of the United States and Canada (GFOA) for the Lottery's comprehensive annual financial report (CAFR). According to the GFOA, a nonprofit professional association, the Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting.

## Action Plan for the Office of the Secretary

### Key Objectives

- Make available all economic and financial information relevant to maintaining the state's financial position, policies and processes consistent with Delaware's designation as a triple-A state.
- Facilitate the exchange of necessary information between divisions within the Department of Finance, and among other state agencies, local governments and the public.
- Maximize effectiveness and efficiency by improving the state's fiscal operations through the use of appropriate financial and accounting controls.

### Activities

- Monitor, analyze and interpret proposed state and federal tax, revenue and spending policies and legislation.
- Provide analysis, forecasting and tracking of revenues for consideration by DEFAC.
- Manage and monitor the state's bond sales and advise policymakers regarding the state's overall debt, debt reduction and capital acquisition strategies.
- Furnish guidance and direction in the management of the Twenty-First Century Funds consistent with the objective of using proceeds to meet the state's long-term infrastructure needs.
- Provide department management services for information/technology, personnel, financial oversight and legislative support to assist the divisions in achieving their objectives.
- Chair the Retirement Benefit Study Committee which quantified the potential impacts of currently unfunded OPEB liabilities and furnished alternative options for offsetting the \$3 billion dollar unfunded obligation.
- Represent the administration on numerous boards and commissions, including the Board of Pensions, Cash Management Policy Board, Diamond State Port Corporation, Delaware Civic Center and the Riverfront Development Corporation.

## Action Plan for the Division of Accounting



### Key Objectives

- To help facilitate successful implementation of the Payroll Human Resources Statewide Technology (PHRST) upgrade statewide and implementation of the Time and Labor module in various pilot state organizations during fiscal year 2006.
- Successfully initiate implementation of PeopleSoft Financials through kick-off of the two-year effort to replace aging financial management systems with a ERP system
- Successfully complete the Comprehensive Annual Financial Report (CAFR) and ensure that the state receives a clean audit and a Government Finance Officers Association (GFOA) Certificate of Excellence.
- To incorporate public and private sector best practices into the design and implementation of a statewide comprehensive financial system.

### Activities

- Provide leadership for financial management activities throughout state government.
- Establish and implement policies, procedures and regulations pertaining to the statewide accounting and payroll systems.
- Provide and present a comprehensive view of the state's financial condition through the regular publishing of interim financial statements and the year-end CAFR. Provide analysis, forecasting and tracking of expenditures for consideration by DEFAC.
- Process the state's accounting and payroll transactions, certify the validity of transactions and coordinate accounting, payroll and other financial matters with key agency fiscal personnel.
- Expand on the functionality of the management software for the SuperCard.



## Action Plan for the Division of Revenue



### Key Objectives

Key objectives separated into five major categories; **E**fficiency, **C**ompliance, **C**ustomer satisfaction, **E**mployee success and **L**eadership

- Increase the cost effectiveness of divisional activities through the use of process flow analysis, the establishment of meaningful benchmarks and the judicious application of technical and human resources.
- Improve compliance through:
  - Influencing the development of sound tax policy
  - Promoting voluntary adherence with tax and related laws
  - Administering a fair but firm response to non-compliance
- Improve customer satisfaction by obtaining and acting on customer feedback and proactively managing customer interactions.
- Ensure employee success
- Provide leadership in support of **ECCEL**lence in state tax administration.

### Activities

- Improve productivity and reduce non value-added costs through continued implementation of process management and improvement approaches
- Improve supplier management approaches.
- Continue to develop and deploy information technology and systems.
- Improve voluntary compliance with the tax code.
- Continue to expand and enhance methods to collect qualitative and quantitative information on customer satisfaction and customer feedback
- Continue to promote, emphasize and reinforce the division wide focus on customer service.
- Protect Taxpayer Privacy and Ensure Security of Taxpayer Information
- Ensure employee development and retention.
- Improve performance management systems.
- Ensure that our work place(s) support high performance.
- Ensure effective internal and external communication
- Ensure the highest levels of ethical behavior
- Measure results and review performance, setting the basis for improvement and learning.
- Promote individual and organizational learning and growth

Action Plan the State Lottery Office



**KEY OBJECTIVES**

- Increase General Fund contribution from the Delaware State Lottery by \$6.3 million in Fiscal Year 2007.
- Improve customer satisfaction as measured by the Annual Satisfaction Survey by 1 percent as compared to benchmark levels of 64 percent positive for players and 85 percent positive for retailers.

**ACTIVITIES**

- Continue to expand the present lottery/retailer network.
- Continue to control the video lottery on-line gaming system.
- Provide the public with games that are fun, easy and exciting to play.
- Explore new video lottery gaming formats that will allow the industry to stay competitive with neighboring states.
- Implement an enhancement to the statewide video lottery's central system that will allow greater flexibility in the selection of games that will be made available to patrons.

TABLE OF CORE SERVICES,  
OBJECTIVES AND PERFORMANCE MEASURES

CORE	OBJECTIVE	PERFORMANCE MEASURE
1) Provide leadership in developing and executing sound fiscal policies and practices.	1) Maintain the State's triple-A bond rating. 2) Provide budgetary revenue estimates (i.e., June DEFAC estimates for the following fiscal year) that are within two percent (plus or minus) of actual collections, excluding revenue anomalies due to exogenous and/or nonrecurring events.	1) State bond rating. 2) DEFAC June estimate.
2) Efficiency and Compliance with and administration of State Tax and Unclaimed Property Laws.	1) Increase enforcement collections by \$2.0 million in Fiscal Year 2007. 2) Maintain the efficiency of issuing personal income tax refunds by keeping constant the average number of days to issue a refund at 12 days in Fiscal Year 2007. 3) Increase the number of digital and electronic returns received by the Division.	1) Increase total enforcement collections to \$14.5 million. 2) Maintain an average of 13 days to issue personal income tax refund. 3) Increase the amount of digital Personal Income returns received by the Division to 315,000. Implement electronic filing system for Unclaimed Property and One Stop Business License System.

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|   | 4) Continue to increase unclaimed property enforcement efforts.   | 4) Increase total enforcement collections for unclaimed property to \$155.0 million.   |
| 3) Provide Management of accounting services for the State. | 1) To help facilitate successful implementation of the PHRST upgrade statewide and implementation of the Time and Labor module in four pilot state organizations by July 1, 2006.<br><br>2) Successfully complete the CAFR and ensure that the State receives a clean audit and a GFOA Certificate of Excellence.<br><br>3) Begin the implementation phase of the Financials ERP in fiscal year 2007. | 1) Date of the PHRST upgrade and the date of the implementation of the Time and Labor module in the pilot organizations.<br><br>2) CAFR Audit report.<br><br>3) GFOA Certificate   |
| 4) Operate the State lottery system.                        | 1) Maximize General Fund revenue contribution.<br><br>2) Improve customer service and communication.  | 1) Actual General Fund contribution as compared to DEFAC revenue projections and to other states. (DEFAC's current projection is \$241.5 million).<br><br>2) Customer satisfaction measured by Annual Satisfaction Survey as compared to benchmark |

levels of positive 63%  
for players and positive  
76% for retailers.

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| 3) Operate the Lottery in a manner that promotes the Public's trust and confidence in the organization and its products. | 3) Public trust measured by Annual Satisfaction Survey as compared to benchmark level of positive 71%. |
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